

## PERSONAL IN CONFIDENCE

Ed,

CABINET OFFICE/NO.10 STRUCTURE: FOREIGN AND EUROPEAN POLICY.

1. I said I would let you have some personal thoughts following our meeting with Ricketts. The following sets out how the Treasury roles and responsibilities on the international side could be translated into No10/Cabinet office. It applies broadly to the International (Sheinwald) and European (Darroch) portfolios but less so to the Sherpa post where there is no Cabinet Office role at present.

### *What works well in the Treasury*

2. In the Treasury there are a number of official/SPAD roles on the international side:
  - Strategic policy. This is formulated by GB in an iterative process with advice from the political side (you, Shriti, Stewart Wood) and officials in IF;
  - Tactical policy/implementation advice. This comes primarily from the officials in IF
  - Negotiation/representation with other governments below Ministerial level. This is done through the 'Deputy/DD structure (EFC G7,G20, ,IMFC). Even when the issue is bilateral and outside the recognised fora, we use the Deputy contact list (eg India and China dialogues.)
  - Private Office management of information flow (decisions, requests for work, steers) between GB and the official side. Private Secretaries occasionally get involved in private office to private office negotiation and representation but this is in very close consultation with senior IF officials. Senior officials also get directly in the information flow with GB, but again, we work very closely with the Private Office on this.

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- Non-official foreign contacts (NGOs, foreign political party contacts, 'great and good'). These have tended to go through SPADs – particularly Shriti.
3. We have been successful, in my view, because of:
- very close working and trust between GB, senior officials, the ED, SPADS and the private secretaries;
  - a single integrated Private Office which is the main official point of contact with GB;
  - avoidance, usually, of overlaps and confusion about who does what. (The formal international official structures have helped here. )When we have got this wrong it has adversely affected the outcome;
  - tight control and discipline over the channels of communication with other governments. We have very rarely sent inconsistent signals – except by design;
  - integration of the senior negotiating/representational responsibility with management and policy responsibility for the international resources in the Treasury. With one exception, the MD and Directors of IF Directorate have combined with main D/DD roles;
  - empowerment/trust in the international representatives. Ds, DDs, EDs in other countries do not always have close links with and the trust of their principal. In the EU, G7 etc, I have been effective because my interlocutors had no doubt that I spoke with the authority of and within the boundaries set by my principal;

*Do the same points apply to No 10/Cabinet office ?*

4. In principle yes. But there are some important differences.
5. There is no 'Department' as such. The Cabinet Office co-ordinates. It does not command resources. In the Treasury, the MD of IF/Deputy can align resources directly behind GB's priorities, ensure we have the analysis/initiatives we needed to secure our overall objectives, and integrate the policy work and the negotiation/implementation. The Private Office in the main commission work, action on directly behalf of GB. But there is a great deal more shaping and guiding

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of work/negotiation within IF by the MD and directors. In the Cabinet Office, the Heads of the Overseas and European secretariats do not command resources and except in narrow circumstances have never been able to call for departments to do work.

6. There are few if any formal official structures such as the G7, EFC, IMFC, G20. Creating and maintaining deputy structures is more informal and more labour intensive. There is much less consistency of 'labels' and structures between countries. In most other relevant countries the Head has a sizeable staff or Department (e.g. the Chancellery, the Whitehouse/NSC, the Japanese PM's office) and someone within that structure is charged with the deputy role.
7. I suspect some of this lay behind the Heywood changes a few years ago. Starting in the 1980s, the Foreign Affairs private Secretary (Charles Powell) became increasingly powerful. I think this was partly as a result of the increase in communication and business transacted directly between Heads and their personal representatives and less between foreign affairs ministers and ambassadors. As the volume of business grew the Powell job was divided into European and non-European. These Private Secretaries became in effect the personal representatives/ 'deputies' for their heads.
8. As far as I can recall, the Cabinet Office secretariat heads have never had that role. And increasingly, their role of co-ordinating government departments became less relevant if not integrated with the work of the relevant Private Secretary/personal representative in No 10. The Heywood changes responded to this by fusing the roles so that the posts became a combination of deputy, senior cabinet office co-ordinator, private office (the foreign and European junior private secretaries report to the Sheinwald/Darroch posts) and, arguably, SPAD (Justyn Forsyth, I think, works within the Sheinwald chain. The Heywood changes combined the domestic private office/policy unit roles in a similar way).

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*What would replicating the Treasury way of working in No10/Cabinet Office mean?*

9. People need to be clear about their roles – as they are in the Treasury. There should be a distinction between the Private Office and the 'Deputy' role and SPADs. The Private Secretaries would play the role they play in the Treasury. They would be part of an integrated Private Office. SPADs would be separate. We need to avoid the situation, currently prevalent in No 10 where it is not clear who is speaking with the PM's authority, and people in No 10 take different lines.
10. The 'Deputy' needs to be recognised as such. As there are no equivalent formal structures to the G7/EFC etc deputies, there needs to be a clear way of signalling externally and internally what the role comprises – i.e. the negotiator/representative with other Heads' officials. In this respect, labels matter. Tight control of the channels of communication with other governments is important.
11. Combining the roles of Deputy and senior official in charge of the official policy functions and resources, as in the Treasury, is not possible. There is no department. Neither No 10 nor the Cabinet Office have much resource; the secretariats have small staffs). The Deputy, however, would need to be able to work with Departments, shaping work and action, and where necessary taking oversight of negotiations at official level. This is one of the biggest challenges in trying to replicate the Treasury structure in No 10.
12. Very close working between the Deputy and the Private Office would remain crucial. In this respect, proximity matters.
13. My own view is that to function as closely as possible to the way we work in the Treasury, the Deputy cannot just be in the private office chain. Nor can (s)he just be the head of the relevant Cabinet office secretariat. Somehow, while not in the Private Office -- and with all the Private Secretaries in an integrated structure, --(s)he needs also to be on the PM's

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staff with some personal representative label and located in No 10 in order both to ensure close working and to be able to call on resources in departments. I know there are concerns about continued 'hollowing out' of the traditional roles of FCO, Cabinet Office and other Departments. I don't think this does hollow out policy roles in other departments – though it could depend on who does the job. I do think it is about ensuring whoever occupies these posts can function (a) as closely as possible to the way we function in the Treasury and (b) in a way that recognises the reality of the way our key interlocutors function.

*Does this apply equally to the Sheinwald and Darroch jobs ?*

14. They are different. The Sheinwald job is focused on deputy relationship with the US and to a lesser extent France and Germany. (Sheinwald sometimes speaks to Hadley several times a day, often about 'real time' response to issues). The Cabinet office OD structure is used to co-ordinate advice but much of the action happens through the UK/US deputy channel. On the European side, deputy contact is more concentrated around European Councils and strategic issues and less day to day and event driven. The Darroch job also involves more systematic co-ordination in Whitehall and with UKREP than the Sheinwald post, given the regular, heavy process around EU business. It also requires greater working through home departments, who transact much of the business. In general, however, I think paras 10–15 above apply broadly to both.

15. Of course there are other ways of organising all of this. What works in the Treasury may simply not be transferable to No 10. One or both of the Deputy roles could be put into the private office, which is where the Sherpa role has traditionally resided. Or they could go into another Department(s). The posts could be divided more clearly into economic (including the Sherpa) and military/security rather than Overseas and European. (Arguably, the bulk of the business divides that way anyway.) They could be combined. The Sheinwald post has grown in recent years as

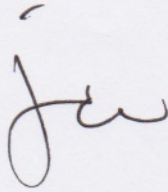
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the geopolitical/military agenda has grown and as the relationship with the US has become so central. Absent military engagement in Iraq and Afghanistan and a very . fraught geopolitical environment the requirements of the post might be very different. It might be possible to merge the two posts, as in the mid 1990s.

16. I suspect, however, that the trend towards Heads and their staffs being more directly involved in these areas is a global one that can be expected to continue.

A handwritten signature in dark ink, appearing to be 'Jen' or similar, with a small mark above it.

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